



**Agriculture, Subcommittee on Department Operations,  
Oversight, Dairy, Nutrition and Forestry**

**House of Representatives**

**Hearing on**

**The Future of Renewable Fuels and Flexible Fuel Vehicles**

**Testimony of**

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**On behalf of the  
Renewable Fuels Association**

**May 22, 2006**

Good morning, Mr. Chairman and Members of the Committee. My name is Tony Simpson, and I am the General Manager of Michigan Ethanol, LLC, a 50 million gallon ethanol refinery in Caro. I also serve on the Board of Directors for the Renewable Fuels Association, the national trade association representing the U.S. ethanol industry. I am pleased to be here this morning to discuss the fastest growing energy resource in the world – the U.S. ethanol industry.

Michigan Ethanol is currently the only ethanol refinery operating in the state. However, since Congress passed the Energy Policy Act of 2005, Michigan has begun construction on three additional ethanol refineries. In my view, Michigan's ethanol industry is a remarkable reflection of the ongoing domestic biofuels energy infrastructure, and I look forward to discussing with this Committee the growth of the ethanol industry and the growing flexible fuel vehicle marketplace.

Mr. Chairman it is good to see you again, prior to becoming the General Manager at Michigan Ethanol, I managed an ethanol plant in your district in Minnesota and I appreciate you taking the time to organize this hearing in the manufacturing backyard of the flexible fuel vehicle industry.

## **Today's Ethanol Industry**

Today's ethanol industry consists of 97 biorefineries located in 19 different states with the capacity to process more than 1.7 billion bushels of grain into nearly 4.5 billion gallons of high octane, clean burning motor fuel and 9 million metric tons of livestock and poultry feed. It is a dynamic and growing industry that is revitalizing rural America, reducing emissions in our nation's cities, and lowering our dependence on imported petroleum.

Ethanol has become a ubiquitous component of the U.S. motor fuel market. Today, ethanol is blended in more than 40% of the nation's fuel, and is sold virtually from coast to coast and border to border.

In 2005, the U.S. ethanol industry consumed more than 1.4 billion bushels of corn in the production of 4 billion gallons of ethanol. That represents approximately 12% of last year's 11 billion bushel crop. The industry also used 55 million bushels of sorghum, or about 14% of that crop. Finally, ethanol is produced from a variety of agricultural waste products, including cheese whey, beer and beverage waste.

The 4 billion gallons of ethanol produced and sold in the U.S. last year contributed significantly to the nation's economic, environmental and energy security. According to an analysis completed for the RFA, the 4 billion gallons of ethanol produced in 2005 resulted in the following impacts:

- Added \$32 Billion to gross output;
- Created 153,725 jobs in all sectors of the economy;
- Increased economic activity and new jobs from ethanol increased household income by \$5.7 Billion, money that flows directly into consumers' pockets;
- Contributed \$1.9 Billion of tax revenue for the Federal government and \$1.6 Billion for State and Local governments; and,
- Reduced oil imports by 170 million barrels of oil, valued at \$8.7 Billion.

As the industry has grown, it has also changed. Today, the single largest ethanol producer, taken as a whole, is the farmer-owned ethanol plant.

But we are not done yet. There are currently 35 plants under construction. Twenty-one of those have broken ground just since last August when President Bush signed last year's Energy Policy Act into law. With existing biorefineries that are expanding, the industry expects more than 2.2 billion gallons of new production capacity to be in operation within the next 12 to 18 months.

## **New Markets, E85 and Flexible Fuel Vehicles**

Ethanol today is largely a blend component with gasoline, adding octane, displacing toxics and helping refiners to meet Clean Air Act specifications. But the time when ethanol will saturate the blend market is on the horizon, and the industry is looking forward to new market opportunities for E-85.

Today there are approximately 5 million flexible fuel vehicles (FFVs) on the road capable of using E-85, a mix of 85% ethanol and 15% gasoline. There are about 600 E-85 refueling stations across the country. Frankly, we can and must do better.

Five million FFVs represent less than 2% of the total U.S. motor vehicle fleet. This year, the U.S. will purchase about 17 million vehicles. Approximately 500,000, or roughly 3% of those, will be FFVs. In contrast, more than 60% of the vehicles produced and sold in Brazil this year will be FFVs.

Clearly, U.S. auto manufacturers have made a significant commitment to FFV technology, and their commitment is increasing. Ford, General Motors and DaimlerChrysler have made significant strides in producing and promoting FFVs, and we should applaud them, but we can do better.

If consumers are to have options during times of gasoline price volatility, FFV technology must be more widely available. There are many approaches to encourage auto manufacturers to maximize FFV production. The RFA is not wedded to any one approach, and we remain open to a dialogue with stakeholders that will assure the objective of increased FFV availability is met. Congressional forums like this hearing today provide a good first step toward the consensus necessary to assure greater FFV availability.

As FFV vehicles are commercialized, it is important to encourage the most efficient technologies. Some FFVs today experience a reduction in mileage when ethanol is used because of the difference in BTU content compared to gasoline. But that debit can be addressed. General Motors has introduced a turbo-charged SAAB that experiences NO reduction in fuel efficiency when ethanol is used. That's the kind of innovation the government should be rewarding in any program designed to encourage E-85 use.

Of course, FFVs will be wasted without a commensurate increase in E-85 fuel availability. Reforms of the ethanol tax incentive passed by Congress last year have made it much easier for ethanol producers to work with gasoline marketers directly to promote E-85. Indeed, several ethanol producers have moved aggressively to market E-85. As a result, it is estimated that more than 10 million gallons of E-85 were sold last year, and while still a small fraction of the ethanol that is produced domestically, sales continue to grow.

Still, convincing gasoline marketers to sell E-85 under their canopies remains a challenge. Last week, bipartisan legislation was introduced in both the House and the Senate creating new incentives for E-85 refueling infrastructure. The RFA supports these efforts and others to encourage wider availability of E-85 fuel as FFV vehicle technology expands.

In the final analysis, many things have to happen for E-85 to become a more consequential component of the U.S. motor fuel marketplace. There must be more vehicles. There must be more refueling pumps. And there must be more ethanol to supply this market, which likely means cellulosic ethanol capacity. But the need to develop meaningful alternatives to gasoline has never been more apparent. But we must invest now, or that future will never materialize.

## **Conclusion**

In his State of the Union Address, President Bush acknowledged the nation “is addicted to oil” and pledged to greatly reduce our oil imports by increasing the production and use of domestic renewable fuels such as ethanol and biodiesel. The Energy Policy Act of 2005 clearly put this nation on a new path toward greater energy diversity and national security through the RFS. Additional and more focused research, targeted incentives for E-85 vehicles and refueling infrastructure, and the continued commitment of this Committee will make the President’s vision of a more energy secure America a reality.

Thank you.